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OFFICE OF CURRENT INTELLIGENCE

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DAILY DIGEST

Date: APR 3 1951

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3. Marginal letter indications are defined as follows:
- "A" - items indicating Soviet-Communist intentions or capabilities
- "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
- "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"A" USSR. USSR-Chinese Communist Rail Agreement Signed. Radio Moscow reported that on 14 Mar 51 a Sino-Soviet rail agreement was signed in Peiping. The agreement(effective 1 Apr) provides for "direct railway communications" between the USSR and Communist China "for the transport of passengers, luggage and freight." Radio Peiping reported that the ceremony was attended by the Chinese Vice Minister of Foreign Affairs, Soviet Ambassador Roschin, and the Soviet Director of the Dept. of Eastern European Affairs. (R FBIB, 30 Mar 51). COMMENT: The Korean war affords the USSR additional opportunity to secure lines of communication between China and the Soviet Far East, where a significant expansion of the rail network has been noted since the end of World War II. The following agreements, concluded since the founding of the Peiping regime, serve to mesh China's transportation system, particularly rail and telecommunications, with the Soviet orbit:

1.) Jan. 1950, N. Korean-Chinese Communist Postal and Telecommunications Agreement, 2.) Feb. 1950, USSR-Chinese Communist Postal Telegraph and Telephone Agreement, 3.) Feb. 1950, Chinese Changchun Ry, Port Arthur, Dalny Agreement (Part of Sino-Soviet Treaty), 4.) Mar. 1950, Sino-Soviet Civil Aviation Joint Stock Agreement, 5.) Jan. 1951, Polish-Chinese Communist Postal and Telecommunications Agreement.

"B" Soviet Approaches to Arab Governments on Neutrality Are Denied. In reply to the State Dept request for information on the subject of a reported Soviet conversation with the Lebanese Government, (see OCI Daily Digest, 28 Mar 51), the Secretary General of the Lebanese Foreign Ministry assured the US Legation in Beirut that the Soviet Minister made no statement to Lebanon to the effect its neutrality was desired. According to the US Emb in Cairo, the Egyptian Minister of Foreign Affairs said that positively the Soviets have not made any such approach to Egypt or any other Arab Government. (C Beirut 543, 31 Mar 51; C Cairo 997, 31 Mar 51). COMMENT: Soviet propaganda has paid increasing attention in the past month to alleged Western aggressive moves in the Near East area. Soviet concern over possible defensive steps that might be taken could lead to actual diplomatic pressure on Arab Governments as well as a further intensification of recurrent propaganda effort to encourage the neutralization of the area. However, these reports supplement earlier Arab reports that no such approaches on neutrality have been made this winter.

"B" General Shtemenko Reported Chief of "Soviet Forces for Central Asia." According to the diplomatic editor of the Sunday Times in London, General Shtemenko, former Chief of the Soviet General Staff, has been appointed Commander-in-Chief of the "Soviet Forces for Central Asia", which takes in the Russo-Iranian frontier. This appointment, declares the diplomatic editor, shows the special importance which the Kremlin attaches to the situation in Iran since the assassination of Premier Razmara last 7 Mar.

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(R FBIB, 2 Apr 51). COMMENT: General S.M. Shtemenko is still carried as a Deputy Minister of War and Chief of the Soviet General Staff. No such organization as the "Forces for Central Asia" has been identified. However, such a development is conceivable in view of the existence of a Far Eastern Command, controlling three military districts, under Malinovsky.

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"B" EASTERN EUROPE. ALBANIA. Arrival of Soviet Planes in Tirana. [REDACTED] states that about 20 disassembled fighter planes arrived in Durres by ship from the USSR toward the end of Feb 1951, and were transported to the airport in cases marked "textile machinery." (S CINCNEILM 311019Z, 31 Mar 51; S SOPD 834 Rome, 2 Apr 51, Eval. B-3). COMMENT: Western diplomats in Albania have reported that at least two modern fighter planes are now based in Tirana, ostensibly in order to prevent unauthorized flights over Albania. (See OCI Daily Digest, 24 Mar 51 and 26 Mar 51).

"C" BULGARIA. Suspected Nationalist Relegated to Safe Post. Dobri Terpeshev, the new Bulgarian Amb to Rumania, has arrived in Bucharest. (R FBIB, 2 Apr 51). COMMENT: The fiction of Bulgaria's independence has received another blow in the appointment of Dobri Terpeshev to represent the interests of Bulgaria in a sister People's Republic. Terpeshev will make a convenient diplomatic front man, while the USSR exercises the real direction of Bulgarian-Rumanian relations. Terpeshev, a pre-1944 Communist of limited mentality but general popularity, has over the past two years been severely criticized by the regime and demoted through the ranks of the government and Party from the positions of Vice Premier and Politburo member respectively. The present appointment to a prestige position stripped of any real significance will serve the dual purpose of retaining a suspected nationalist who probably still enjoys some personal popularity in Bulgaria and at the same time removing him from the country where the Kremlin fears his influence.

"B" FINLAND. Cabinet Overthrow Averted. Social Democratic Party Cabinet representatives, who had threatened to quit the Finnish Government as a result of their party's opposition to a 43% rise in controlled rentals on housing, have agreed to remain as a result of a compromise measure. The new bill calls for a 10% rent rise on June 1, a maximum 20% rise on Sep 1, and any further increase necessary at the end of the year to accommodate rents to the cost of living index existing at that time. (C Helsinki 515, 30 Mar 51; NYT, 3 Apr 51). COMMENT: The original rent increase measure would have undermined the whole Finnish stabilization effort by providing a stiff jolt to an already rising cost-of-living index.

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"A" RUMANIA. Western Nationals Being Expelled. The US Leg in Bucharest reports that many foreign non-diplomatic residents, including US and British citizens, have been ordered to leave the country. Americans affected by the ruling are to leave within 15 days. No reason has been given for the order, which the US Leg suggests may be the beginning of a general expulsion of non-orbit nationals. (C Bucharest 669, 30 Mar 51). COMMENT: This decree is the latest step in the Rumanian Government's efforts to remove alien elements from the country, whether by outright expulsion, or by facilitating their emigration, as in the cases of Jewish and Greek minorities.

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SECTION 2 (EASTERN)

- "B" THAILAND. Thai Deputy Police Chief Eyeing Premiership. Reports continue that Lt. Gen. Phao, powerful and ambitious Deputy Director General of Police, is aspiring to displace Premier Phibun. With Phibun's approval, Phao built the Police into an effective striking force to counter the disaffected Navy. Now Phibun is trying to attract and consolidate Army and Navy support to cancel out the threat of the Police, who are personally loyal to Phao (C Bangkok 1516, 30 Mar 51). COMMENT: Control of the Thai Government has long depended on successful exploitation of inter-service rivalries. It is believed that Phibun's influence in the Thai armed forces is too strong to permit him to be overthrown by Phao.
- "B" PHILIPPINES. Dissident Huts Near Clark Field Destroyed. More than 100 unauthorized huts have been destroyed on the US military reservation surrounding Clark Field since early March when USAF began action against trespassers believed to be Huks. (S PHILCOM USAF C-1771, 30 Mar 51). COMMENT: USAF began to take such measures in early March after a number of incidents (assault, robbery) involving US personnel and property had threatened the security of the reservation. According to earlier reports, a sizeable Huk force has been based in the nearby mountains west of Clark Field.
- "B" INDONESIA. Cabinet Discussions Continue. During the past week, Premier-designate Sartono of the Indonesian National Party (PNI) has continued discussions with the Masjumi (Moslem Party) and with other parties which supported the former government. A reliable source states that the talks have been friendly and directed toward a modification of the PNI program to make it acceptable to the Masjumi. Meanwhile, all parties except the Masjumi and the Indonesian Socialist Party have agreed to a series of meetings which will seek a common program under which all parties can unite. A government official admitted that should the Masjumi refuse to cooperate with the PNI, the latter might turn to this political grouping for support. The official insisted that a PNI-formed cabinet would not include the Communists, but added that "if it includes Murba ("national" Communist party), that is already close to Moscow." (C Djekarta 1341, 31 Mar 51). COMMENT: The danger remains that the PNI may turn to the left for support. However, Foreign Minister Roem, a Masjumi leader who is taking part in the Masjumi-PNI discussions, told US Ambassador Cochran that the process of forming a new cabinet is likely to be protracted and tedious, and that care must be taken not to force the PNI leftwards.
- "C" INDOCHINA. French Repel Attacks in Tonkin. According to a French communique, during the past three days French forces have fought off Communist-led attacks on the post of Mao Khe and inflicted 4,100 casualties on the enemy. (U Washington Post, 3 Apr 51). COMMENT: Recent

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military activity of Communist-led rebels (Viet Minh) appears to have been confined to the area along Route #18 which passes through Mao Khe above the port of Haiphong.

"C" JAPAN. Reaction to Dulles Speech. Folad Sebold in Tokyo reports that Ambassador Dulles' weekend speech outlining the US terms of the Japanese peace treaty was greeted with gratitude and satisfaction by all non-Communist political party leaders except the Socialists, who continue to follow their party's policy favoring overall peace. Most business leaders and press editorials likewise praised the treaty draft. There was unanimous regret over the territorial provisions, however. (U Tokyo 1737, 2 Apr 51; U Tokyo 1738, 2 Apr 51). COMMENT: With their hopes for a return of the Bonins and Ryukyus frustrated, the Japanese are now calling for a time limit on the proposed trusteeship over these islands, with the eventual return of Japanese sovereignty assured. This apparently genuine feeling on the part of the Japanese and many Ryukyuans gives promise of becoming a irredentist movement that all Japanese political parties will seek to exploit.

"C" KOREA. RHEE Continues ON-TO-THE-YALU Statements. Ambassador Muccio reports the holding of a mass meeting on 30 March in Pusan to express Korea's support of MacArthur's statement relative to negotiations with the enemy commander. President Rhee's speech on the occasion stressed the "fight for unity of the country"; he stated that since the Communists were the first to violate the 38th Parallel, the ROK "purpose is to push to the Tumen and Yalu Rivers to check any invasion by Communists or North Koreans." (U Pusan 834, 2 Apr 51). COMMENT: Although Rhee has been given to understand that in the event of a general war it will be impossible for the UN forces to hold on to South Korea, his intransigence in continuing his "on-to-the-Yalu" type of statement indicates a burning nationalism and a complete inability to appreciate the apprehension of some members of the United Nations that an advance well beyond the 38th Parallel may enlarge the present scope of hostilities.

"B" CHINA. Execution of Foreigners in China. The French Consul-General in Peiping has informed his government of the execution in Peiping, on espionage charges, of an Italian and a Japanese national. The Consul-General also reports that 200 Chinese were recently executed in Peiping, that four French nationals in North China are in prison--presumably in connection with the arrest of an unknown number of foreigners on espionage charges--and that other foreign nationals fear that they also may be in danger. (S Paris 5864, 2 Apr 51). COMMENT: The Italian and the Japanese national are known to have been in custody for some weeks, while the Peiping radio has announced the recent public execution of a number of Chinese in Peiping and the recent arrest of several foreign nationals alleged to have been in the employ of US intelligence offices. The Peiping regime has greatly intensified, since the first of this year, its security operations against "counter-revolutionary elements" in general and against alleged intelligence agents in particular. The execution or imprisonment of a small number of foreign nationals, and the expulsion of a great many more, is an anticipated development.

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## SECTION 3 (WESTERN)

"C" GERMANY. West Berlin Metal Workers Threaten to Strike. Approximately 800 functionaries of the Berlin Metal Workers' Union passed a resolution on 29 March to sponsor a strike referendum of the union membership, unless the Metal Employers Association accedes to the union's demands for a 15 pfennig per hour cost of living bonus by 8 April. The threatened strike would involve the entire West Berlin metal industry of about 100,000 workers. (U Berlin 1216, 31 Mar 51).

COMMENT: Two other strike threats involving building and public workers are pending. The building workers have recently agreed to negotiate, however, while the public workers' strike threat now appears to be at least temporarily averted. Unless the financial position of the West Berlin Government improves sufficiently so that union demands for reasonable wage increases can be met, labor unrest will become more serious.

"B" FRANCE. Cabinet Deadlocked on Price-Increase Policy. The problem of financing both pay increases for civil servants and the remainder of the growing budgetary deficit is now aggravated by a new "regulation fund" for stabilizing certain prices, especially on coal. The Queuille Government is now sharply split on this problem, which had been partially alleviated by limited rises permitted in retail fuel rates. It remains to be seen whether Queuille will pose the question of confidence on temporary stop-gap financing measures. (C, Paris 5833, 31 Mar 51; NY Times, 3 Apr 51). COMMENT: President Auriol's absence in the US has tended to prevent a Cabinet crisis over price and tax policy. Regardless of the immediate outcome of the current deadlock, however, long-term measures adequate to stem the growing inflation are not in prospect. The pressure on prices will be increased not only by the current wage rise and mounting raw materials costs, but also by labor's improved position for demanding a larger share of industrial profits. (While current production is 40% above 1938, labor's purchasing power has now been restored only to the 1938 level.)

"B" ITALY. Communists Might Modify their Public Stand against NATO. Abatement of extreme leftist opposition to the NATO was recently indicated by Pietro Nenni, leader of the philo-Communist Italian Socialists (PSI), who termed the Atlantic Treaty "a necessity under present conditions," but pleaded merely for "a more cautious Italian participation" in the treaty organization. Nenni's change of attitude toward the NATO was regarded in some quarters as part of a new Communist "peace" offensive that will be further elaborated at the Communist Party (PCI) congress opening in Rome 3 April. (U, NY Times, 3 Apr 51). COMMENT: This is the first indication that the Social-Communists may be considering abatement of their attacks against NATO. Such a development, if true, could be part of the Communist tactic

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of confusing and dividing the pro-Western forces in Italy (See OCI Daily Digest, 2 Apr 51). A more immediate objective in this connection would be to prevent further defections to the Magnani-Cucchi movement, which is urging a nationalistic foreign policy for Italy and is a potential threat to Communist control of Italian workers.

"C" SWITZERLAND. Swiss Firm Reportedly Arranges Pig Iron Shipment to GDR.

25X1C [REDACTED] the Swiss firm of Steiner & Co., Zurich and Basle, has declared its willingness to deliver to the GDR, 30,000 tons of pig iron, at a price of \$45 per ton, during the first quarter of 1951. The Swiss firm planned to obtain this material from Ferrum AG, Saarbrucken, which had previously rejected GDR offers to purchase rolling mill products and pig iron.

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25X1A COMMENT: If this shipment is made, the GDR will not only acquire badly needed raw material but also establish a valuable channel for possible future imports from the West.

"C" SPAIN. Madrid Students Protest Streetcar Fare Policy. Some 1,000 University of Madrid students are reported to have attempted to march to the City Hall on 2 April in order to lodge a protest against restrictions in the use of their streetcar passes. Shouts were heard reflecting discontent with the high cost of living. No serious injuries were reported, however, as the students dispersed quietly following the arrest of three leaders. (C, Madrid 877, 2 Apr 51; [REDACTED]

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[REDACTED] 3 Apr 51). COMMENT: A similar protest by University of Barcelona students on 23 and 24 February heralded the city-wide streetcar boycott and general strike, which had Barcelona in a turmoil during the first two weeks of March. It was predicted at that time that the example set by the people of Barcelona could have a heartening effect on Spaniards elsewhere, who might be encouraged to voice their discontent against increasing economic hardships by the success of the Barcelona demonstrations and by the apparent conciliatory attitude assumed by the Government. Indicative of the Government's growing apprehension that such incidents might spread are reports that the cabinet was in session on 2 April for the specific purpose of considering the steady rise in the high cost of living.

"C" UNITED KINGDOM. Foreign Office Reaffirms Hands-off Policy Regarding Italian Socialist Unification. The Foreign Office has reiterated that the UK official policy of non-intervention in matters of Italian Socialist unification remains unchanged. As a result of a letter from Italian Foreign Minister Sforza to Foreign Secretary Morrison expressing concern over alleged British Labor Party attempts to bring the various Italian Socialist groups together, Morrison has agreed to speak to Labor Party officials on the matter. Concurrently, a leading Labor Party official has categorically denied that the party has interfered. (C, London 5113, 28 Mar 51 and 5159, 30 Mar 51).

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COMMENT: Recurrent reports of Labor Party attempts to effect a unification of Italian Socialist splinter groups, which would also involve the withdrawal of the right wing Socialists from the Italian Government, have been persistently denied by both British Labor Party and Government spokesmen. Recent Italian Communist defections have naturally given the topic currency. While British Labor Party leaders would undoubtedly welcome a strong, unified Italian socialist party as a more effective weapon in the struggle against Communism, the UK Government has attached considerable importance in the past to Italian Socialist participation in the De Gasperi coalition to broaden the basis of the Italian Government. It would appear that the conversations and correspondence of individual Labor Party members with Italian colleagues have once again been interpreted as expressions of official British Labor Party or Government opinion.

"C" UNITED KINGDOM. British Merchant Marine being Readied for Emergency. More than 500 merchant ships have had their decks stiffened for guns and many vessels have been equipped with degaussing apparatus for protection against mines, while deck guns are being stored in strategic places throughout the world. Defense courses for merchant seamen and their officers have begun. (S London Joint Weeka #13, 30 Mar 51). COMMENT: Aware of the UK's vital dependence on its merchant marine, the Admiralty has also initiated a scheme giving its regular personnel tours of duty aboard merchant ships to familiarize them with the special problems involved and to promote cooperation between the two services.

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3 April 1951

SECTION 1 (SOVIET)

- "B" USSR. Turkish Official Believes USSR May Raise Issue of Straits in Summer. The US Embassy in Ankara reports that the Secretary General of the Turkish Foreign Office believes that the USSR, if only as a matter of form, is likely to raise the question of revising the Montreux Convention this summer at the end of the current five year period. (S S/S Ankara 599, 30 Mar 51). COMMENT: Turkey has previously expressed concern that the issue of the Straits might be raised by the USSR during the Deputy Foreign Ministers' Conference. The USSR to date, however, has sought to place on the agenda only issues that have been subject to CFM deliberations in the past, or that have been an integral part of Soviet charges of Western aggression, such as the North Atlantic Treaty. The USSR would be more likely to bring up the issue of the Straits under the prescribed channels of the Convention, rather than attempting to inject the issue at the Deputies' meeting.

SECTION 2 (EASTERN)

- "B" INDIA. Kashmir Resolution Passed. The revised US-UK resolution on Kashmir was passed by the UN Security Council on 30 March. (OCI Daily Digest, 22 Mar 51). It is therefore expected that after a UN representative has been appointed, he will proceed to the Indian subcontinent to conduct negotiations and will report back to the SC within three months. Pakistan has pledged full cooperation with the new UN representative. However, US Ambassador Henderson in New Delhi feels that, while India will receive the UN representative and give the appearance of cooperating with him, there is little likelihood that India will accede to any important aspects of the resolution. Henderson thinks that Prime Minister Nehru cannot retreat from his previous strong stand on Kashmir for fear of lowering his personal prestige and rendering the Congress Party more vulnerable during the election campaign of next fall. (TS S/S New Delhi 2626, 30 Mar 51; U New York 1348, 30 Mar 51; U NY Times, 31 Mar 51). COMMENT: There is still no reason to believe that the Kashmir problem will be settled in the near future.

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"B" EGYPT. Current Egyptian Position on the Anglo-Egyptian Treaty Issue. In a recent discussion with Assistant Secretary of State McGhee in Cairo, Egyptian Foreign Minister Salaheddin reviewed Egypt's position in regard to the Anglo-Egyptian treaty issue. (OCI Daily Digest, 23 and 31 Mar 51). In the clearest exposition to date of the Egyptian side of the controversy, Salaheddin stated that 1) Egypt would admit British forces in wartime but not in peacetime, 2) the evacuation of British troops from the Suez Canal base should take place within one year to 18 months, allowing time for the training of 10,000-20,000 Egyptian combat troops and 400 pilots to take over the defense job from the UK, and 3) the UK should evacuate the Sudan in two or three years, since the Sudan was inextricably tied in with British evacuation of Egypt and since the Egyptian people would probably not permit a separation of these two issues. Salaheddin also contended that the Middle Eastern countries should have first say as to how their own territories should be defended, that Egypt would maintain the Suez base until it was needed by the UK in wartime, and that the final result would depend to a large extent upon the amount of outside assistance in arms and economic aid given Middle Eastern countries. (TS S/S Cairo 1001, 1 Apr 51). COMMENT: If Egypt makes no further concessions than those outlined by Salaheddin, the prospect for success in the Anglo-Egyptian treaty discussions will be very poor indeed. While the UK might agree to a staged withdrawal from Egypt until the end of the current treaty in 1956, it would probably oppose any speedier evacuation of the Suez base, and it would be flatly opposed to any suggestion of turning over the Sudan to Egyptian control. Two parts of the Egyptian position-held by the government as well as by the populace generally--are unrealistic: 1) Egypt alone cannot adequately maintain the Suez Canal base, and 2) the majority of the Sudanese, while wishing for independence, would oppose an association under the Egyptian Crown.

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